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A number of big companies have learned that it pays to put topflight executives in charge of "human resources."

Personnel Directors Are the New Corporate Heroes

by Herbert E. Meyer

The personnel department has been represented on many a corporate organization chart as an orphaned box—one that came from nowhere and didn't seem to fit anywhere. To many businessmen, including many chief executives, the people who worked in "personnel" appeared to be a bunch of drones whose apparent missions in life were to create paperwork, recruit secretaries who couldn't type, and send around memos whose impertinence was exceeded only by their irrelevance. As a result of this perception, personnel directors, whatever their individual competence, suffered the *sui generis* image of being good-old-Joe types—harmless chaps who spent their careers worshiping files, arranging company picnics, and generally accomplishing nothing whatsoever of any fundamental importance.

In some cases, this depressing image was accurate. Companies *have* been known to use their personnel departments as a sort of dumping ground for executive misfits, or for burned-out vice presidents who needed just a little while longer on the payroll to be eligible for their pensions. But there have always been some personnel directors who found the job a springboard to higher corporate office, and in some companies the executive in charge of personnel management has traditionally been regarded not as an outcast but as an heir apparent.

The current chairman and chief executive of Delta Airlines, W.T. Beebe, was once Delta's senior vice president for personnel. Both Richard D. Wood, the chairman of Eli Lilly & Co., and one of his predecessors as chief executive served as corporate personnel directors on their way to the top—and a former president had followed the same route. Right now, the top Lilly executive responsible for personnel, Harold M. Wisely, holds the rank of executive vice president and has a seat on the company's board of directors.

A step toward the top

In the last few years, many companies have joined Delta and Lilly in putting their personnel departments in the hands of powerful senior executives. That old chestnut about a transfer to personnel being a one-way ticket to oblivion is no longer true. Absolutely no one at First National City Bank viewed it as a setback for Lawrence M. Small when he was transferred from the commercial-banking division to head the personnel division in August, 1974. Indeed, it was universally regarded as one very impressive step up the ladder: the job carries the title of senior vice president, and Small was only thirty-two years old at the time. And at I.B.M., to cite just one other example, the former director of personnel resources, David E. McKinney, is now president of the Information Records Division, an important marketing and manufacturing unit.

Those good-old-Joes of yesteryear would be stunned by the amount of power and prestige today's personnel directors can claim within their companies. At Dow Chemical Co., for example, the man in charge of personnel, Herbert Lyon, reports directly to President Ben Branch, the chief executive. Lyon is a member of Dow's board of directors, and is responsible for, among other things, global product planning and corporate administration. At Warnaco Inc., most of the executives promoted to jobs in top management during the last three years were singled out for advancement by John Limpitlaw, the company's vice president for personnel.

The executives who are being put in charge of personnel departments today are hard-driving business managers who speak what they call "bottom-line language"; they are as interested in profits as any other executives. George A. Rieder, senior vice president for personnel at Indiana National Bank in Indianapolis, provides an almost textbook example of how today's personnel executives perceive their role. "I'm not a personnel manager," Rieder says, in a tone of voice conveying scorn for that traditional title. "I'm a business manager with responsibilities for personnel."

Rieder quickly adds that this difference is much more than merely semantic. "It's a difference of style, scope, and approach. I view myself as a businessman first, whose job has as much of an impact on the bottom line

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THE SAGA OF
PERCY PERSO-NNEL
By Clarke
THAT WAS THE CHAIRMAN OF THE BOARD ON THE PHONE... HE WANTS ME TO BE THE NEW DIRECTOR OF PERSONNEL!
OH, YOU POOR GUY!
MY DEEPEST SYMPATHIES, OLD MAN.
BYE, BYE, PERCY!
'ON'T FEEL TOO BADLY, BOSS . MAYBE WHEN YOU TOUR OUR NEW DEPARTMENT YOU'LL FEEL BETTER.
SIGH
OH, NO!
WE MUST BE HEARD!
SENIOR CITIZENS ARE PEOPLE TOO
WOMEN IN HIGHER POSITIONS!
STATE LABOR REPT
ELL ME, SIR, WHAT I DO WRONG TO ESERVE A FATE UCH AS THIS?
YOU DON'T UNDERSTAND MY BOY, THIS "P" NOT ONLY STANDS FOR PERSONNEL, IT ALSO STANDS FOR PROMOTION AND PRESTIGE!
HUMAN RESOURCES
IT ALSO MEANS A PLUMPER PAYCHECK!
AS NEW HEAD OF THIS DEPARTMENT, I EXPECT THINGS TO BE A LOT DIFFERENT!
CONTINUED

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. . FOR INSTANCE, I EXPECT YOU TO SETTLE EXISTING SUITS AND AVOID FUTURE ONES.
AND YOUR JOB WILL BE TO GET THE COMPANY IN LINE WITH NEW PENSION PLANS.
FURTHERMORE, ALL THOSE GRIEV COMMITTEES WILL BE HEARD, THEY WILL GET SOME ACTIO
SALARY SCALES STINK
WE WANT LESS
PROMOTION POLICIES ARE PUTRID
PERCY, I HEAR THAT LABOR COSTS ARE LEVELING OFF AND PRODUCTIVITY IS MOVING UP.
PERCY, WE NEED A NEW VICE PRESIDENT FOR MARKETING.
PERCY, GET US A GOOD FINANCE DIRECTOR!
SAY, PERC...WHO DO YOU THINK SHOULD HEAD UP OUR INTERNATIONAL OPERATIONS?
PERCY, WHAT YOUR OPINION ACQUIRING NE SUBSIDIARIES NEXT YEAR?
OH, BOSS, THERE'S A GROUP OF THE DEPARTMENT HEADS WAITING TO ASK YOUR ADVICE.
IT'S HARD TO BELIEVE I'VE BECOME THAT IMPORTANT!
...BUT THEN, WHY NOT? THIS JOB GIVES ME ACCESS TO AND KNOWLEDGE OF EVERY DIVISION OF THE COMPANY, AND EVERY ONE OF THOSE MEN OWES HIS CURRENT JOB TO ME!
GENTLEMEN, THE VOTE UNANIMOUS... OUR NE CHAIRMAN OF THE BOARD PERCY PERSONNEL

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nd here as anybody else's. To be effective I have got nderstand every aspect of my company's business, I have got to participate actively in major manage- t decisions before they're made." As a senior vice ident, Rieder reports to John R. Benbow, the bank's ident, and participates actively in day-to-day man- nent of the business.

od ones are worth a lot"

ılary scales provide a measure of the growing im- ance of personnel. When the average salaries of ex- ives in different specialties are compared—manu- uring, finance, and so on—personnel directors come as the lowest paid. But they've begun catching up, use they are getting bigger raises than other execu- . According to the American Management Associa- the average compensation for personnel directors ndustrial companies with sales of $500 million to illion was $61,400 in 1975. Executives in charge anufacturing for those companies got an average of 100, chief financial officers got $103,400, and chief utives $225,700. But since 1970, the average com- ation of personnel directors has increased by 20 per- compared with just 13.5 percent for chief financial rs, 15 percent for manufacturing executives, and ercent for chief executives.

s likely that personnel directors will continue to re- larger raises than other kinds of executives, ac- ng to Pearl Meyer, a compensation expert who is itive vice president of Handy Associates. "These guys in personnel won't be at the bottom of the for too much longer," Mrs. Meyer predicts. "Com- s are recognizing that good ones are worth a lot." year, when Chase Manhattan Bank went looking n executive to head its human-resources division ern corporations don't have personnel departments ore), the bank put out word that for the right man, uld pay up to $120,000. Chase was obviously not in narket for a mere picnic planner. (The right man d out to be Alan Lafley, from General Electric.)

arly, things are not at all what they used to be in ce dull world of personnel or, if you please, human- rce management. And just as clearly, much of the re for change came from the economic environ- in which corporations have been operating. As aco's John Limpitlaw points out, "The business e out there today is a whole lot different from t was ten years ago." In the economy of the 1970's, bout everybody has found the going tough and hard to come by. The cost of labor—union con- executive salaries, pension plans, and so on— moving up.

thermore, many companies that had expanded trically during the 1960's discovered that their ition programs had left them with a tangle of in- ible compensation plans, and with scores of high- ly paid executives who now seemed to be in the wrong jobs or, worse, were superfluous. And with the stock market remaining in the doldrums, stock-option plans that had looked like money machines during the 1960's suddenly seemed most unsatisfactory; new compensation plans had to be devised to keep key executives contented. The job of personnel director took on new dimensions—especially as chief executives began scrambling to minimize the adverse effects of the recession.

Companies eager to increase their workers' productivity—and which were not?—discovered that an alert personnel director was in a unique position to contribute to the company's welfare. For example, George Sherman, the vice president of industrial relations at Cleveland's Midland-Ross Corp., got to wondering just why productivity rates in Japanese factories were so high. He flew to Japan, visited some factories, and concluded that part of the answer lay in the use of committees, made up of both workers and supervisors, that met regularly to hear suggestions for meeting production goals. On his return to the U.S., Sherman got clearance to form Japanese-style committees of workers and supervisors at the company's electrical-equipment plant in Athens, Tennessee. One modification of the Japanese plan involved the offer of a cash bonus to both workers and managers if productivity really did increase beyond the goal set by Midland-Ross. One year and 400 suggestions later, productivity at the Athens plant was up by 15 percent. The company was able to cancel plans to invest $250,000 in added manufacturing capacity, because output increased without it. Now Sherman expects to set up similar committees at other plants.

Time off when it counts

An idea developed by I.B.M.'s vice president for personnel, Walton Burdick, further illustrates how a personnel executive can help his company, and its workers, through a difficult economic period. Burdick developed a policy allowing I.B.M.'s employees to defer vacation time for as long as they wanted. Postponement was actively urged during years of booming business activity, thus keeping a lid on the number of employees. The payoff for both I.B.M. and its employees came during the past year, when the recession took a bite out of I.B.M.'s production. Workers who had saved up weeks or even months of vacation time were encouraged (rather firmly, one gathers) to use it.

I.B.M. Chairman Frank Cary credits the policy of deferred time off for helping the company get through a rough period without any layoffs. "You can't put a dollar sign on this sort of thing," Cary says. "The real benefit is in terms of morale. Our people know our policies are designed to keep them on the payroll. It makes them a lot more willing to go along with organizational changes we propose from time to time."

Pressure on American corporations from their not-so-

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silent partner, Uncle Sam, has done a great deal to add luster to the job of personnel director. In the last twenty years, there have been more than a hundred individual pieces of federal legislation directly affecting the relationship between corporations and their employees—e.g., the Work Hours Act of 1962, the Occupational Safety and Health Act of 1970, and the Employees Retirement Income Security Act of 1974. There has been a whole basket of laws and regulations to outlaw discrimination, including the Civil Rights Act of 1960, the Equal Pay Act of 1963, and the Age Discrimination in Employment Act of 1967.

Suits that concentrate the mind

Personnel directors complain that the federal rules and regulations are poorly conceived, sloppily written, and almost impossible to comply with because they change so rapidly. But many of those same personnel directors concede that the federal government's anti-discrimination activities have done wonders for their own prestige and power. To paraphrase Samuel Johnson, there is something about being sued for a lot of money that concentrates a chief executive's mind wonderfully. While some antidiscrimination suits involve just one aggrieved person and not much money, there have also been some class-action suits whose costs to corporations have been considerable. American Telephone & Telegraph Co. has settled two antidiscrimination suits—one for $38 million and another for $25 million—and nine steel companies settled one for a total of $31 million. The threat of class-action suits by aggrieved employees or disgruntled job applicants has made chief executives very much interested in having their personnel directors come up with ways to avoid even the appearance of discrimination. "Boy, do they listen to us now," says one personnel expert rather cheerfully.

In addition to setting affirmative-action goals, such as for the number of women and blacks to be hired during the coming year, and the number to be promoted into various levels of management, personnel directors develop procedures to make sure the goals are reached. That may involve new hiring systems or special training programs for those already hired and marked for fast promotion. Personnel directors must spend a lot of time these days with supervisors at all levels, helping them to meet their targets.

At Chemetron Corp., Melvin Shulman, corporate director of human resources, works directly with Chief Executive John P. Gallagher to set the affirmative-action goals and develop the procedures for reaching them. Then he works with Chemetron's line executives to make sure they understand what those goals are, and also that they understand how serious could be the consequences of failing to reach them. Says Shulman: "I tell them of the possible damage to the company, but in a sense I'm making sure they realize that their own careers here are involved. When they understand how directly th chief executive is involved, and that in effect I'm repr senting him, they're more than willing to get cracking.

Personnel directors probably would have come in fro the cold even without the help of a topsy-turvy econom or a flood of legislation. It would have happened becaus attitudes within the American corporation itself hav been changing steadily for at least a generation—th attitude of chief executives toward their subordinates a well as the attitude of employees at all levels towar the companies for which they work.

It is so commonplace now for chief executives to de liver speeches extolling "people" as their companies most important resource that one tends to dismiss th phrase as cant. For some chief executives, of course, i may be. But a growing number of them really do realiz that the quality and morale of their employees can mak the difference between success and failure for thei companies. One chief executive who is especially articulate on the importance of a company's human resources is Delta Airlines' Tom Beebe. "The name of the game in business today is personnel," he says emphatically. "You can't hope to show a good financial or operating report unless your personnel relations are in order, and I don't care what kind of a company you're running. A chief executive is nothing without his people. You've got to have the right ones in the right jobs for them, and you've got to be sure employees at every level are being paid fairly and being given opportunities for promotion. You can't fool them, and any chief executive who tries is going to hurt himself and his company."

Since Beebe is a former personnel man, there is some temptation to pooh-pooh his views as those of a man loyal to his old specialty. But one cannot argue with success. Delta hasn't had a strike in twenty years, and as airlines go, it is uncommonly profitable.

Courses for the comers

Every chief executive has to be especially concerned about bringing along capable successors. One company that is justifiably famous for the breadth and quality of its management-training programs is I.B.M. Frank Cary works closely with Walton Burdick, the vice president for personnel, to develop those programs and to assign the executive "graduates" to appropriate jobs within I.B.M. "It's the chief executive's responsibility to make sure the company has personnel policies and practices that can select the best people, then train them for management positions," says Cary.

Dresser Industries' senior vice president for industrial relations, Thomas Raleigh, spends a lot of time with President John V. James developing and administering the company's executive-training programs. At the recently established Dresser Leadership Center, a campus-like training center near the company's Dallas headquarters, executives enroll for courses lasting one

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to four weeks. They take courses in business management, and also study aspects of Dresser's energy-related business that may be unconnected to their immediate assignments. And Raleigh gets a chance to size up Dresser officials who work far from Dallas.

Few personnel managers work only with executives, of course, and the changed attitudes of employees toward their companies present a constant flow of new challenges. Today's blue- and white-collar workers want more from their jobs than just a paycheck; they want satisfaction, and they want to be treated fairly. Specifically, they want a salary that's fair in relation to their co-workers' salaries, and they want a fair chance for promotion that's based on an objective evaluation of their performances rather than the subjective whims of their immediate supervisors, or on their sex or skin color.

When Harold Johnson joined Philadelphia's INA Corp. as vice president for personnel a few months ago —he was formerly with American Medicorp Inc.—the insurance company did not have a fully developed system for setting the salaries of new employees. Nor were there clear ground rules for awarding raises, or for evaluating employee performance. "Things worked pretty much according to the whims of individual supervisors," says Johnson. "There were no company-wide standards at all. The employees were unhappy because they felt their salaries were sometimes unfair, and because they felt top management wasn't aware of quality work they were doing. And top manage needed a tool to help identify the high performers so could be promoted, or selected for advanced traini

INA Chairman Ralph Saul has ordered Johnso develop a system to identify the company's most pro ing executives, and to establish corporate salary s so that employees in similar jobs will be paid withi established range. Johnson is also devising an evalua system to assure that raises will be awarded in a sistent way, based on individual performance. Once system is in effect, Johnson will be responsible for ting supervisors to use it. Saul has told Johnson tha latter's own job performance will be measured in by how quickly he can get the new pay and evalua system working.

Power for the team

In many companies, the personnel director's resp bilities have become so complex that they can onl shouldered by topflight business managers who hav backing of the chief executive. The people who do th like to say that in the years to come, a tour of duty i personnel department (more likely the division of hu resources) will be mandatory for any executive who to be chairman. Though that may prove to be an exagg tion, it is true that more companies are transferring and-coming executives into personnel for a while, en r to greater things. Dow Chemical's Herbert Lyon say a good thing for personnel departments to have a m professional experts, who have worked exclusivel personnel, and generalists who are brought in for a of duty from other parts of the company. I.B.M.'s ton Burdick agrees, and adds that in his view the fessional personnel types—of whom he is one—be even more than the generalists from having a mix gives the specialists a better sense of what's really g on out there," he explains.

Citibank's Larry Small reflects a perspective com to executives who have moved into personnel but wh not expect to remain in it forever. "I'm not a perso guy," he says carefully, displaying the annoyance of a who has explained this to others before and who k he'll have to explain it again to somebody else. "I businessman—a manager. I just happen to be han personnel at the moment, because it's a very impo part of managing a business today."

As more and more personnel departments be populated with managers like Small, what were onc claves will increasingly be seen as key corporate divis And the executives who run them, whether they called personnel directors or executive vice presi for human resources, will finally be recognized for they now are and what in retrospect they always sh have been—power-wielding members of their compa management teams.

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This is the article I mentioned at this morning's meeting.

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